



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: March 15, 2011

TO: Mayor and Councilmembers

FROM: Airport Administration, Airport Department

SUBJECT: Introduction Of Ordinance For Amendment Of Concession Agreement With First Class Concessions, Inc.

RECOMMENDATION: That Council:

- A. Authorize the Airport Director to execute, subject to approval as to form by the City Attorney, an amendment to Concession Agreement No. 23,445 with First Class Concessions, Inc., a California Corporation, amending Article 3 "Obligation to Construct and Operate Leasehold Improvements" providing for reimbursement to First Class Concessions, Inc. for permanent affixed Leasehold Improvements for a not to exceed amount of \$450,000; and
- B. Introduce and subsequently adopt, by reading of title only, An Ordinance of the Council of the City of Santa Barbara Approving an Amendment of Concession Agreement No. 23,445, Dated June 22, 2010, Between the City of Santa Barbara and First Class Concessions, Inc., for Operation of the Food and Beverage Concession at the Airport.

DISCUSSION:

Background

When completed, the new airline terminal will have food and beverage and news and gift concessions available to passengers. There will be two food and beverage locations; one post-security and one pre-security. The news and gift concession space is post-security only. Towards that end, staff solicited proposals for these services.

Operating retail concessions in an airport is different from "street retail" because the customer activity is reliant on airline schedules. The concessionaires are required to be open for business every day, including holidays, usually from 5 a.m. to 11 p.m. There are times during the day when there are no airline departures scheduled and thus there are no customers using the concessionaires' services. Security requirements for employees are also very stringent.

On February 9, 2010, a Request for Proposals for the food and beverage concession was distributed to interested parties. Only one proposal was received, which is not unusual for small airports. Meeting all the RFP requirements, First Class Concessions, Inc. (First Class) was selected for the food and beverage concession. The design concept proposed was in compliance with the Airport's Concessions Design Manual. First Class' proposal included a full-service restaurant with a Coffee Bean and Tea Leaf kiosk in the departure lounge and a small kiosk pre-security for beverages, breakfast rolls, sandwiches, etc.

On June 15, 2010 Council authorized execution of a ten-year Concession Agreements with First Class to construct improvements and provide food and beverage services in the new airline terminal, and with ME/Inc for a news and gift concession.

Concession Agreement

Based on First Class' proposal, the Concession Agreement requires the company to invest \$375,000 for construction, furnishing, and equipping (including Leasehold Improvements and Trade Fixtures) in the two food and beverage concession spaces.

The RFP anticipated that the tenant would make all improvements to an unfinished space. Normally, tenant improvements are made within a basic shell which includes lighting, electrical, plumbing, HVAC distribution, interior finishes, and fixtures. For the news and gift concession a basic shell was provided for the concessionaire.

Because of the complex nature of the design of the restaurant spaces to comply with local health department requirements, the Terminal Project did not include the "shell" build out of the restaurant space. Based on its proposal and the Concession Agreement with the City, First Class proceeded to complete design for the food and beverage spaces including design of the basic shell.

First Class initiated a competitive bidding process and received six bids ranging from \$871,463 to \$632,000 for construction of the two concession locations. The bidders included EMMA Construction Corporation, the airline terminal project contractor. First Class selected the low bidder, Young Construction, a local construction company. The total project cost for the two food and beverage locations including design, equipment, fixtures, franchise fees and other soft costs is estimated at \$910,770. As the costs for the improvements exceeded First Class' required investment, the company requested that the Airport consider funding construction of the basic shell.

Staff recommends that the Airport pay for the cost of the basic shell improvements as they are permanent and will remain with the building. Because it is more efficient and cost effective, staff also recommends that First Class Concessions, Inc. construct the shell improvements and that the Airport reimburse the company for approved expenditures up to \$450,000. Any expenditures over the \$450,000 City investment will be the responsibility of First Class Concessions, Inc.

Airport Commission

At its February meeting, the Airport Commission reviewed and considered the proposed amendment and voted unanimously to recommend that Council approve the execution of an amendment to the Concession Agreement with First Class Concessions, Inc. for reimbursement of costs to construct permanent affixed leasehold improvements in an amount not to exceed \$450,000.

BUDGET/FINANCIAL INFORMATION:

Funds for this Amendment are available in the Airline Terminal Project budget, which has already been appropriated.

PREPARED BY: Hazel Johns, Assistant Airport Director

SUBMITTED BY: Karen Ramsdell, Airport Director

APPROVED BY: City Administrator's Office